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C O V E R

S H E E T

FAX

To: Walter Horn
Fax #: 832-8043
From: Gary Melius
Date: October 12, 1999
Pages: 47, including this cover sheet.

COMMENTS:

From the desk of...

Gary Melius

Castle Ventures
1 Old Country Road
Corte Place, NY 11514

516-741-8141
Fax: 516-741-8040



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BROWN, MICHAEL & CARROLL

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

1129 ATLANTIC AVENUE • SUITE 101

ATLANTIC CITY, NEW JERSEY 08401

609-344-8448

FAX 609-345-2188

C. MICHAEL BROWN
GUY S. MICHAEL
ROBERT J. CARROLL
JAMES J. CARROLL, III
ROBERT T. WINTER
ANNE MARIE MCGINTY
LEO FREYTH
NANETTE L. HORMER
CHRISTINE T. JONES

511 SEA GIRT AVENUE
SEA GIRT, N.J. 08750
732-449-8811

FAX 732-449-4873

MEMORANDUM

VIA FACSIMILE (516) 741-8040

TO: Gary Melius
FROM: Robert J. Carroll
DATE: October 12, 1999
RE: St. Regis Mohawk Management Contract Proposal

Pursuant to our distassion, enclosed please find the first draft of Mr. Kaufman's proposal. Please review and advise. Additionally, kindly forward the casino performance pro formas to fax number (732) 449-4873 at your earliest convenience.

:dmk

enclosure

*GARY!
I will be in our Atlantic City office
tomorrow. Please call at your
convenience tomorrow. - Bob*

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PRELIMINARY TERM SHEET DISCUSSION

PROPOSAL

PPE shall acquire the Management Contract regarding Native American casino of the St. Regis Mohawk Tribe in Hogsburg, New York.

EXISTING MANAGEMENT CONTRACT

Five (5) year term commencing April 1, 1999; contract provides for net profit split of 75% to the Tribe and 25% to Management Company (hereafter "Manager"); Tribe will receive \$10,000 per month minimum guaranteed payment and will use remaining profit to first repay the \$30 million development/investment costs. *then share*

EXISTING THIRD PARTY DEBT

PPE shall assume responsibility to repay Miller-Schroeder the sum of approximately \$12 million at the rate of 11.5%; the St. Regis Mohawk Tribe is repaying this loan to the Management Company at the rate of 13.5%. PPE and existing Manager shall equally split the two percent (2%) interest profit.

BUYOUT OF MANAGEMENT COMPANY

The Manager values their interest in the project/contract as approximately \$30 million. As noted above, Miller-Schroeder has a \$12 million loan in place. The remaining \$18 million is composed of \$12 million, which PPE shall purchase, and \$6 million, which will be a retained investment by the existing manager/developer. They propose PPE shall compensate the manager as follows:

• Loan Repayment/Proceeds

The Manager proposes that PPE should receive the entire principal repayment amount (derived from Tribal repayment) until PPE's equity interest is reduced to an equal \$6 million amount as the existing Manager. At such time, a 50/50 split of principal repayment shall then commence *Miller Schroeder*

Interest received on the \$18 million amount shall be split 50/50 between PPE and the existing Manager for the term of the loan. *proportionally to debt*

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- **Management Fee Allocation**

PPE shall deduct an up-front six percent (6%) cost of Executive management fee from the 25% net profit share due to the Management Company

The remaining profit shall be split 50/50 between PPE and the existing Manager for the term of the Contract.

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